



For
Members, Retirees
and
Employers

Montana Public Employee Retirement Administration (MPERA)

June 2007

2007 Legislative Report From the Executive Director

by Roxanne Minnehan

Spring is here and the 2007 regular legislative session is over. As always, it was an extremely busy time. It was also a learning experience for me. The Public Employees' Retirement Board (Board) and the MPERA staff provided their expertise, effectiveness and support to ensure we were able to meet legislative needs and deadlines. I would like to thank them for their tireless efforts.

This newsletter is solely dedicated to informing you, our members, of the legislation that will affect you and your retirement systems.

The Board's main goals going into this session were to:

1. Address the funding in PERS, SRS and GWPORS.
2. Maintain current benefit structures.
3. Pay off the PERS-DCRP loan.
4. Clarify statutes with our annual general revisions/housekeeping bill.

We were partially successful:

1. The funding in PERS, SRS and GWPORS was addressed.
2. The GABA was affected in PERS, SRS and GWPORS for **new hires only**. It did not change for any other system.
3. The PERS-DCRP loan payoff request passed both houses and was signed by the Governor on April 28, 2007.
4. Our general revisions bill smoothly sailed through both chambers without opposition.

MPERA tracked 93 proposals and 58 introduced bills that affected your retirement systems and state agency's administrative processes.

Legislation passed requiring annual actuarial valuations of each retirement system, Senate confirmation of our Governor-appointed Board members, and revision of the make-up of the Board of Investments.

I would like to thank the Legislators and employee associations that worked with us to understand retirement issues and the implications of proposed changes. I appreciate their attempts to ensure the retirement systems are actuarially sound while maintaining a sustainable benefit for our members.

I welcome your questions, comments and suggestions regarding your retirement systems.■

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Governor

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*Should any information in this
newsletter conflict with statute or
rules, the statute or rules will apply.*

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Retirement Systems Funding

The regular 2007 legislature addressed the unfunded actuarial liability in PERS and SRS by 1) increasing **employer** contributions and 2) setting a new Guaranteed Annual Benefit Adjustment (GABA) for new members hired on or after July 1, 2007. **Employee contribution rates do not change.**

The unfunded actuarial liability in GWPORS was addressed solely through changing the GABA for new members.

Increase in Employer Contributions

Employer contributions for PERS and SRS will increase in two phases; the first on July 1, 2007, and the second on July 1, 2009. The charts below show the employers' current contributions, increased contributions, and total contributions by employer type.

The increased contributions will end on July 1 immediately following an actuarial valuation determining that 1) the required amortization period is less than 25 years and 2) stopping the increased

contributions will not cause the amortization period to exceed 25 years.

The employer contributions in PERS are increased for members of both the Defined Benefit (DBRP) and the Defined Contribution (DCRP) Retirement Plans. The increased contributions for the DCRP will be allocated first to pay down the Plan Choice Rate Unfunded Actuarial Liability and then to the long-term disability plan trust fund.

GABA for New Members

All PERS, SRS and GWPORS members who are hired or assume office on or after July 1, 2007, will be eligible for a 1.5% GABA when eligible for retirement and receiving a benefit under the systems' defined benefit retirement plans.

GABA changes do not affect current PERS, SRS and GWPORS members – whether active, inactive or retired!!

The GABA for JRS, MPORS, FURS and HPORS will remain at 3% for both current and new members!!

Public Employees' Retirement System (PERS)

	Current Contributions	Phase 1 — July 1, 2007		Phase 2 — July 1, 2009	
		Increased Contributions	Total Contributions	Increased Contributions	Total Contributions
State & University Employer Contribution Rate	6.9%	0.135%	7.035%	0.27%	7.17%
Local Government Employer Contribution Rate	6.8%	0.135%	6.935%	0.27%	7.07%
STATE Contribution for Local Governments	0.1%	0.0%	0.1%	0.0%	0.1%
School District* Employer Contribution Rates	6.8%	0.0%	6.8%	0.0%	6.8%
STATE Contribution for School District Employers	0.1%	0.135%	0.235%	0.27%	0.37%

*School Districts are defined as K-12

Sheriffs' Retirement System (SRS)

	Current Contributions	Phase 1 — July 1, 2007		Phase 2 — July 1, 2009	
		Increased Contributions	Total Contributions	Increased Contributions	Total Contributions
Employer Contributions	9.535%	0.29%	9.825%	0.58%	10.115%

GENERAL REVISIONS — HB 129

Every legislative session, MPERA proposes changes to clarify statutes and to ensure Internal Revenue Code qualification. The general revisions bill, effective October 1, 2007, was once again carried by Representative Dave Gallik (Helena). HB 129 highlights are:

- **PERS Membership for Appointed Officials**

Elected officials have the right to become a member of the Public Employees' Retirement System (PERS). Amendments to §19-3-412, MCA, ensure that individuals who are appointed to fill the unexpired term of an elected official have the same opportunity.

- **Changes to Required Distributions**

Currently, if a terminated non-vested member has between **\$200** and **\$5000** on account, MPERA must distribute the retirement account. Starting October 1, 2007, §19-2-602, MCA, will require distribution of amounts between **\$200** and **\$1000** only. The account will be paid directly to the member unless the member elects to rollover the account to another eligible retirement plan. (Balances of less than \$200 are paid directly to the member.)



- **Working Retirees**

Retirees who return to public service through a professional employer arrangement, a leased employee arrangement, or as a temporary service contractor, are subject to working retiree hour and earning limitations.

- ✓ PERS working retirees are limited to 960 hours in any calendar year.
- ✓ The 60 day limitation for SRS working retirees will change to 480 hours in any calendar year starting October 1, 2007.
- ✓ Effective July 1, 2007, FURS retirees will also be able to work 480 hours before impacting their retirement benefit. (SB 532)
- ✓ No other systems provide for working retirees.

Remember:

Working retirees may not return to employment covered by their retirement system until they have terminated employment, been paid all compensation owed, and received **at least one** retirement benefit check.■

Rural Fire Districts May Elect To Join FURS

Senator Steve Gallus sponsored SB 532. Effective July 1, 2007, the rural fire districts can pass a resolution to participate in the Firefighters' Unified Retirement System (FURS). Current employees have 180 days from passage of the resolution to elect to join FURS. Employees hired after passage of the resolution automatically become members of FURS.

Rural firefighters who transfer to FURS will have three options for their PERS account:

- 1) Leave their PERS account intact;
- 2) Transfer their PERS account balance and receive proportional service in FURS; or
- 3) Transfer their entire PERS account balance and pay the actuarial cost to retain the same service they had in FURS.■

Pension Protection Act and Public Safety Officers

The United States Congress passed the Pension Protection Act of 2006 (PPA). The PPA provides potential changes to the taxability of insurance

premiums for certain public safety officer retirees.

Eligible retirees may deduct up to \$3,000 from their taxes for

any health insurance or long term care insurance premium deducted from their retirement

PPA continued on page 4.

DEFINED CONTRIBUTION RETIREMENT PLAN LOAN PAID

Representative Dave Kasten introduced HB 125 on the Board's behalf to pay off the Board's loan to fund the implementation costs of the Defined Contribution Retirement Plan (DCRP). The legislation creating the DCRP did not provide implementation funding, so the Board obtained a loan for those expenses. The loan was being repaid through a portion of the annual administrative fee assessed to DCRP participants. We are happy to report that HB 125 passed by an overwhelming majority. The bill was effective on April 28, 2007. MPERA has paid off the loan using the appropriated funds, thus preventing an increase in administrative fees due to escalating loan payments.■



PPA continued from page 3.

check. The tax deduction does not apply if the premiums were paid from another source (i.e. checking/savings accounts). An eligible retiree receives only one \$3,000 deduction per year. This deduction is not available to a surviving spouse.

Currently the PPA allows this deduction as long as the insurance plan is **NOT** self-insured. This requirement potentially excludes many of our retirees from this benefit. MPERA is waiting for Congressional clarification on this issue prior to moving forward with implementation.■



Legislature May Study Retirement Plan Issues

While considering retirement proposals, the 2007 Legislature faced many issues, including retirement system actuarial soundness, employer objectives, employee retirement savings and the interests of Montana's taxpayers. These competing considerations led to the passage of House Joint Resolution 59 (HJR 59). The Resolution requests the Legislative Council to designate an appropriate interim committee to study state retirement systems and produce a guide for the next Legislature. HJR 59 has been included in the legislative poll prioritizing different study resolutions.

If the legislature pursues HJR 59, the Board and MPERA will work closely with the Legislative Council and the designated interim committee. Retirement system members will be informed of all outcomes that will potentially affect them and their retirement futures.■

Further Information . . .

If you want more information on any legislation, access the Legislative Service's web site at:
<http://www.leg.mt.gov/css/default.asp>

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